Extended Health Care Plan for Certain Other Employees

Annual Report for 2016

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Government of Saskatchewan

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Letters of Transmittal

Her Honour, The Honourable Vaughn Solomon Schofield
Lieutenant Governor of the Province of Saskatchewan

May it Please Your Honour:

I have the honour to transmit herewith the twentieth Annual Report of the Extended Health Care Plan for Certain Other Employees for the year ending December 31, 2016.

Kevin Doherty
Minister of Finance

The Honourable Kevin Doherty
Minister of Finance

Sir:

On behalf of the Advisory Committee, I have the honour to transmit herewith the twentieth Annual Report of the Extended Health Care Plan for Certain Other Employees for the year ending December 31, 2016.

Dave Wild
Associate Deputy Minister
Public Employees Benefits Agency
Ministry of Finance

Extended Health Care Plan for Certain Other Employees

Introduction

The Extended Health Care Plan for Certain Other Employees was established on January 1, 1997.

The Fund is used to account for the transactions of the Extended Health Care Plan for Certain Other Employees which provides health care benefits to certain out-of-scope employees.

As at December 31, 2016, participation in the Plan has been approved by the Lieutenant Governor in Council for out-of-scope employees of the Government of Saskatchewan as defined under *The Public Service Act, 1998*.

Advisory Committee Members in 2016

Dale Daniels, Chair
Public Service Commission

Kevin Wilson
Ministry of Health

Tracey Smith
Ministry of Health

Bridget McLeod
Public Service Commission

Scott Kistner
Public Service Commission

Terry Kuyek
Public Service Commission

Participating Employers

The following employers participate in The Extended Health Care Plan for Certain Other Employees:

Advocate for Children and Youth (Office of the)
Board of Arbitration under *The Surface Rights Acquisition and Compensation Act* (The)
Chief Electoral Officer (Office of the)
eHealth Saskatchewan
Enterprise Saskatchewan
Farm Land Security Board
Financial and Consumer Affairs Authority of Saskatchewan
Global Transportation Hub Authority (The)
Horned Cattle Fund
Information and Privacy Commissioner (Office of the)
Innovation Saskatchewan
Livestock Services of Saskatchewan Corporation
Ombudsman (Office of the)
Physician Recruitment Agency of Saskatchewan
Provincial Archives of Saskatchewan
Public Interest Disclosure Commissioner (Office of the)
Saskatchewan Milk Marketing Board
Saskatchewan Municipal Board
SaskBuilds Corporation
Technical Safety Authority of Saskatchewan
The Government of Saskatchewan with respect to members of the Public Service of Saskatchewan as defined under *The Public Service Act, 1998*

Administration

The Public Employees Benefits Agency has established a fund pursuant to *The Financial Administration Act, 1993,* for the purpose of providing benefits under the Plan. An Advisory Committee is responsible for the management and investment of the Fund. The Advisory Committee consists of six representatives as nominated by the Saskatchewan Public Service Commission and appointed by Minister's Order.

The Plan pays a monthly premium to The Great-West Life Assurance Company who provide insured extended health coverage to eligible employees. The Plan's risk is limited to the payment of premiums as follows under the two-year contract effective January 1, 2016:

Single	$ 53.49	per month
Couple	$103.92	per month
Family	$128.20	per month

Funding

Funding for members covered is employer paid as follows:

- effective January 1, 1997 – 1.0 per cent of straight time annual payroll;
- effective July 1, 2002 – 1.25 per cent of straight time annual payroll;
- effective July 1, 2003 – 1.35 per cent of straight time annual payroll;
- effective July 1, 2006 – 1.55 per cent of straight time annual payroll.

Benefits

An employee is eligible for benefits at the start of the pay period immediately upon commencement of employment. Claims are paid on behalf of eligible family members and covers certain health and vision care benefits.

Management's Report

To the Members of the Legislative Assembly of Saskatchewan

As members of management of the Extended Health Care Plan for Certain Other Employees, we are responsible for the preparation and presentation of the following financial statements in accordance with Canadian public sector accounting standards.

The significant accounting policies adopted in the preparation of the financial statements are fully and fairly disclosed in the financial statements.

The Extended Health Care Plan for Certain Other Employees has a system of internal controls adequate to provide reasonable assurance that the accounts are faithfully and properly kept to permit the preparation of accurate financial statements in accordance with Canadian public sector accounting standards.

An Advisory Committee, as nominated by the Public Service Commission and appointed by Minister's Order, has been established and is responsible for reviewing the ongoing operations of the Plan.

Enclosed are the financial statements of the Extended Health Care Plan for Certain Other Employees for the year ended December 31, 2016, and the Provincial Auditor's report on these financial statements.

Regina, Saskatchewan
April 11, 2017

Dave Wild
Associate Deputy Minister
Public Employees Benefits Agency
Ministry of Finance

Extended Health Care Plan For Certain Other Employees

Financial Statements

Year Ended December 31, 2016

INDEPENDENT AUDITOR'S REPORT

To: The Members of the Legislative Assembly of Saskatchewan

I have audited the accompanying financial statements of the Extended Health Care Plan for Certain Other Employees, which comprise of the statement of financial position as at December 31, 2016, and the statement of operations and change in net assets and accumulated surplus, and the statement of cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards for Treasury Board's approval, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Extended Health Care Plan for Certain Other Employees as at December 31, 2016, and the results of its operations, its changes in net assets, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Regina, Saskatchewan
April 11, 2017

Judy Ferguson, FCPA, FCA
Provincial Auditor

Extended Health Care Plan For Certain Other Employees **Statement 1**
Statement of Financial Position

As At December 31

	2016	2015
Financial Assets		
Due from General Revenue Fund (Note 3)	$ 5,623,058	$ 4,768,400
Employer Contributions Receivable	332,641	317,739
Other Receivables	6,923	6,051
	5,962,622	5,092,190
Liabilities		
Accounts Payable and Accrued Liabilities (Note 5)	295,705	16,491
Net Assets and Accumulated Surplus (Statement 2)	$ 5,666,917	$ 5,075,699

(See accompanying notes to the financial statements)

Extended Health Care Plan For Certain Other Employees **Statement 2**
Statement of Operations and Change in Net Assets and Accumulated Surplus

For The Year Ended December 31

	2016		2015
	Budget (Note 6)	**Actual**	**Actual**
Revenues			
Employer Contributions (Note 1)	$ 3,752,346	$ 3,986,139	$ 3,729,648
Interest Income (Note 3)	29,184	27,859	27,942
	3,781,530	4,013,998	3,757,590
Expenses			
Insurance Premiums	3,118,417	3,381,879	2,936,483
Administration (Note 5)	27,041	40,901	35,046
	3,145,458	3,422,780	2,971,529
Operating Surplus	636,072	591,218	786,061
Net Assets and Accumulated Surplus, Beginning of Year	5,075,699	5,075,699	4,289,638
Net Assets and Accumulated Surplus, End of Year (Statement 1)	$ 5,711,771	$ 5,666,917	$ 5,075,699

(See accompanying notes to the financial statements)

Extended Health Care Plan For Certain Other Employees **Statement 3**
Statement of Cash Flow

For The Year Ended December 31

	2016	2015
Cash Flow from (Used In) Operating Activities:		
Employer Contributions Received	$ 3,971,237	$ 3,722,580
Interest Income Received	26,987	31,148
Insurance Premiums Paid	(3,111,565)	(2,978,348)
Administration Expenses Paid	(32,001)	(34,234)
Cash Flow from Operating Activities	854,658	741,146
Net Increase in Due from General Revenue Fund	854,658	741,146
Due from General Revenue Fund, Beginning of Year	4,768,400	4,027,254
Due from General Revenue Fund, End of Year	$ 5,623,058	$ 4,768,400

(See accompanying notes to the financial statements)

Extended Health Care Plan For Certain Other Employees
Notes to the Financial Statements

December 31, 2016

1. Description of the Plan

The Extended Health Care Plan For Certain Other Employees (Plan) was established on January 1, 1997, pursuant to subsection 64(2) of *The Financial Administration Act, 1993*. The Plan provides extended health care benefits to certain out-of-scope employees of the Government's ministries and other agencies.

The Plan is funded by employers, whose participation in the Plan has been approved by the Lieutenant Governor in Council. The Minister of Finance approved the contribution rate of 1.55 per cent of regular payroll.

The Government, through the Minister of Finance, entered into an agreement with an insurance company to provide eligible employees with extended health coverage. The Plan's risk is limited to the payment of premiums to the insurance company.

The Public Employees Benefits Agency (PEBA) manages the Plan under direction from the Advisory Committee. The Advisory Committee is made up of employers' representatives appointed by Minister's Order.

2. Significant Accounting Policies

These financial statements are prepared in accordance with Canadian public sector accounting standards. These statements do not present a Statement of Remeasurement Gains and Losses as the Plan has no remeasurement gains or losses. The following accounting policies are considered significant:

a) Employer Contributions

Employers are billed premiums at the end of each month. Premiums are recognized as revenue when due.

b) Interest Revenue

Interest is recognized as income when earned.

c) Financial Instruments

The Canadian Public Sector Accounting Handbook, Section 3450 establishes standards for recognizing and measuring financial assets and financial liabilities. The measurement basis depends on whether the financial assets or liabilities have been categorized in one of two measurement categories: fair value, or cost or amortized cost.

The Plan's financial assets include due from General Revenue Fund, employer contributions receivable and other receivables. The Plan's financial liabilities include accounts payable and accrued liabilities. The Plan has categorized and measured all its financial assets and financial liabilities at cost.

3. Due from General Revenue Fund

The Plan's bank account is included in the Consolidated Offset Bank Concentration arrangement for the Government of Saskatchewan. The Plan's earned interest is calculated and paid by the General Revenue Fund on a quarterly basis into the Plan's bank account using the Government's thirty day borrowing rate, and the Plan's average daily bank account balance. The Government's average thirty day borrowing rate in 2016 was 0.55 per cent (2015 – 0.65 per cent).

4. Financial Risk Management

The nature of the Plan's operations results in a statement of financial position that consists primarily of financial instruments. The risk that arises from financial instruments is credit risk. The Plan is not exposed to market risk or liquidity risk as it does not hold any investments.

Credit Risk

Credit risk is the risk that one party does not pay funds owed to another party. The Plan's credit risk arises primarily from the following distinct sources:

	2016	2015
Due from General Revenue Fund	$5,623,058	$4,768,400
Employer Contributions Receivable	332,641	317,739
Other Receivables	6,923	6,051

The maximum credit risk to which the Plan is exposed is limited to the carrying value of the financial assets summarized above.

The Plan is exposed to minimal credit risk from the potential non-payment of employer contributions and other receivables as these are receivables from government agencies and were collected shortly after year end. The Due from General Revenue Fund account is minimal risk as the funds are held in the Plan's own bank account under the Consolidated Offset Bank arrangement for the Government of Saskatchewan. There has been no change in the risk exposure in 2016.

5. Related Party Transactions

Included in these financial statements are transactions with various Saskatchewan Crown corporations, ministries, agencies, boards and commissions related to the Plan by virtue of common control or significant influence by the Government of Saskatchewan (collectively referred to as "related parties"). Related party transactions with the Plan are in the normal course of operations and are recorded at the agreed upon exchange amounts charged by these organizations.

All employer contributions and employer contributions receivable are from related parties. Also, PEBA charged the Plan $40,901 (2015 - $35,046) for administration expenses. Included in accounts payable and accrued liabilities is $13,466 (2015 – $5,388) due to PEBA.

Other transactions with related parties and amounts due to/from them are described separately in the financial statements and notes thereto.

6. Budget

PEBA prepares the budget for approval by the Advisory Committee. The budget was approved on December 22, 2015.